DOWN SYNDROME ASSOCIATION OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS

December 31, 2017

Down Syndrome Association of Middle Tennessee
December 31, 2017

Contents

USELTON CLAY & BRIGHT, P.C.
certified public accountants | consultants

Cummins Station
209 10th Avenue South, Ste 414
Nashville, TN 37203

p 615.322.9900
f 615.322.9379

P. O. Box 626
107 Armour Road
Kingston, TN 37763

p 865.376.9564
f 865.376.1819

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Down Syndrome Association of Middle Tennessee

We have audited the accompanying financial statements of Down Syndrome Association of Middle Tennessee (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Down Syndrome Association of Middle Tennessee as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Uselton, Clay & Bright, P.C.

July 6, 2018
Nashville, Tennessee

Down Syndrome Association of Middle Tennessee
Statement of Financial Position
December 31, 2017

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 277,685
Inventory	891
Investments	15,051
Notes receivable, current portion	1,328
Total Current Assets	**294,955**
PROPERTY AND EQUIPMENT	
Computer equipment	1,500
Less: accumulated depreciation	(100)
Property and Equipment, Net	**1,400**
OTHER ASSETS	
Notes receivable, current portion above	71,854
Website, net of accumulated amortization of $7,556	8,444
Total Other Assets	**80,298**
Total Assets	**$ 376,653**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 30,051
Total Current Liabilities	**30,051**
NET ASSETS	
Unrestricted	338,552
Permanently restricted	8,050
Total Net Assets	**346,602**
Total Liabilities and Net Assets	**$ 376,653**

The accompanying notes are an integral part of these financial statements.

Down Syndrome Association of Middle Tennessee
Statement of Activities
For the year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions	$ 161,877	$ -	$ -	$ 161,877
Grants	4,100	-	-	4,100
Special event revenue	319,667	-	-	319,667
Program events and activities	21,586	-	-	21,586
Sale of merchandise, less cost of sales of $4 and write off of inventory of $52,061	(52,055)	-	-	(52,055)
Interest income	778	-	-	778
Return on endowment fund	1,205	-	-	1,205
Net assets released from restrictions	8,675	(8,675)	-	-
Total Revenues	**465,833**	**(8,675)**	**-**	**457,158**
EXPENSES				
Program services	241,944	-	-	241,944
Management and general	17,357	-	-	17,357
Fundraising	215,612	-	-	215,612
Total Expenses	**474,913**	**-**	**-**	**474,913**
Change in Net Assets	**(9,080)**	**(8,675)**	**-**	**(17,755)**
Net assets, beginning of year	347,632	8,675	8,050	364,357
Net assets, end of year	**$ 338,552**	**$ -**	**$ 8,050**	**$ 346,602**

The accompanying notes are an integral part of these financial statements.

Down Syndrome Association of Middle Tennessee
Statement of Cash Flows
For the year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$(17,755)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	100
Amortization	5,333
Write down of inventory	52,061
Changes in operating assets and liabilities:	
Inventory	4
Contributions receivable	8,675
Accounts payable and accrued liabilities	15,109
Cash Flows Provided by Operating Activities	**63,527**
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(1,500)
Investment income	(1,205)
(Increase) decrease in notes receivable	3,905
Cash Flows Provided by Investing Activities	**1,200**
Net Increase in Cash and Cash Equivalents	**64,727**
Net Cash and Cash Equivalents, beginning of year	212,958
Net Cash and Cash Equivalents, end of year	**$ 277,685**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Interest paid	$ 59
Income taxes paid	$ -

The accompanying notes are an integral part of these financial statements.

Down Syndrome Association of Middle Tennessee
Statement of Functional Expenses
For the year ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Amortization	$ 4,267	$ 533	$ 533	$ 5,333
Depreciation	80	10	10	100
Donations and outreach	13,922	-	9,281	23,203
Insurance	4,276	433	433	5,142
Merchant fees	1,849	-	5,154	7,003
Other expenses	6,919	937	1,730	9,586
Outside services	26,684	2,508	6,672	35,864
Postage, printing and office	19,310	1,037	750	21,097
Program events	52,655	-	-	52,655
Rent	1,473	2,519	-	3,992
Salaries, wages, taxes and benefits	48,909	7,904	101,263	158,076
Supplies	39,541	993	58,319	98,853
Travel	3,076	483	12,288	15,847
Venue fees	18,983	-	19,179	38,162
Total Expenses	**$ 241,944**	**$ 17,357**	**$ 215,612**	**$ 474,913**

The accompanying notes are an integral part of these financial statements.

Down Syndrome Association of Middle Tennessee
Notes to the Financial Statements
December 31, 2017

Note 1. ORGANIZATION

Down Syndrome Association of Middle Tennessee (the "Association") is a non-profit corporation incorporated in the state of Tennessee on February 29, 1996. The purpose of the Association is to enhance the quality of life throughout the lifespan of all individuals with Down Syndrome by providing support, information and education to families, professionals and communities.

Activities of the Association include development and distribution of educational materials relating to Down Syndrome affected persons, educational and support meetings and fundraising activities for Down Syndrome individuals.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association uses the accrual basis of accounting whereby revenue and support are recognized when earned and expenses are recognized when incurred.

Classification of Net Assets

In the accompanying financial statements, the Association's net assets that have similar characteristics have been combined into the following three categories:

- Unrestricted net assets are free of donor-imposed restrictions and included all revenues, expenses, gains and losses that are not subject to donor-imposed restrictions.
- Temporarily restricted net assets include gifts, grants, income, gains, and pledges for which donor-imposed restrictions have not been met.
- Permanently restricted net assets include gifts and trusts which require that the corpus be invested in perpetuity in accordance with donor restrictions and gains which have been donor-stipulated to be permanently invested.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety days of purchase. The Association considers all investments with an original maturity of three months or less on their acquisition date to be cash equivalents.

The Association classifies investments with an original maturity of more than three months on their acquisition date as investments.

Inventory

Inventory consists of jewelry held for resale that was donated during 2016. The inventory was valued at the fair market value of the jewelry on date of donation and is being accounted for using the first-in, first-out method. Inventory will be periodically evaluated and written down to the lower of cost or market if a loss of value occurs.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

The Association carries investments in marketable securities with readily determinable market values at their market values in the statement of financial position. Realized and unrealized gains and losses are reflected in the change in net assets and in the accompanying statement of activities.

Contributions and Promises to Give

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. The Association does not recognize a conditional promise to give until the conditions on which the promise depends are substantially met. A promise that calls for specific outcomes to be achieved will be treated as a conditional promise to give. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets. If a donor's restriction is met in the same period that the support is recognized, the contribution is reported as an increase in unrestricted net assets.

Property and Equipment

Fixed assets are recorded at cost, or in the case of contributed property, at the fair market value at the date of contribution. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is expensed as incurred. The Association moved its office during the current year and disposed of all assets over the capitalization policy threshold of $1,000. Depreciation is computed generally using the straight-line method over estimated useful lives as follows:

Asset Category	Years
Furniture & Fixtures	5-7
Equipment	5-7
Vehicles	5
Computer equipment	5

Depreciation expense for the year ended December 31, 2017 totaled $100.

Advertising

The Association uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2017 was $-.

Donated Service

Unpaid volunteers make contribution of time in various administrative and program functions. The value of contributed time is not reflected in the financial statements as it is not susceptible to objective measurement of valuation.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

In-Kind Donations

Contributions of donated non-cash assets are recorded at the fair values in the period received.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue code and similar state income tax laws. Accordingly, no provision has been made for income taxes in the financial statements.

The Association recognizes a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur.

The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

As of December 31, 2017, the Association has accrued no interest or penalties related to uncertain tax positions. It is the Association's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Association's Form 990, Return of Association Exempt From Income Tax, for the years ended December 31, 2017 and 2016 and 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Subsequent Events

Subsequent events have been evaluated through July 6, 2018, which is the date the financial statements were available to be issued.

Note 3. ENDOWMENT

The Association has an endowment with the Community Foundation of Middle Tennessee. The endowment was established by the Association in 2004 with a $5,000 contribution designated by the Board of Directors to establish the fund and function as an endowment. As required by accounting principles generally accepted in the U.S. net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Association has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Association has no control over the investment allocation of the endowment fund. The Community Foundation of Middle Tennessee maintains the funds and investments follow the investment policies adopted and approved by the Board of Directors of The Community Foundation of Middle Tennessee. Accordingly, the Association has not adopted an investment policy related to the endowment.

Spending Policy

The Association has no control over the amount that is distributed from the endowment and the amount that is being distributed is minimal. Accordingly, the Association has not adopted a spending policy related to the endowment.

Endowment net asset composition by type of fund as of December 31, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	$ 2,138	$ -	$ 3,050	$ 5,188
Board-designated endowment funds	4,863	-	5,000	9,863
Total Funds	**$ 7,001**	**$ -**	**$ 8,050**	**$ 15,051**

Note 3. ENDOWMENT - CONTINUED

Changes in endowment net assets as of December 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beg. of year	$ 5,796	$ -	$ 8,050	$ 13,846
Interest/dividend income	229	-	-	229
Realized gain (loss)	748	-	-	748
Unrealized gain (loss)	1,024	-	-	1,024
Grants paid out	(700)	-	-	(700)
Fees	(96)	-	-	(96)
Endowment net assets, end of year	**$ 7,001**	**$ -**	**$ 8,050**	**$ 15,051**

Note 4. MORTGAGES RECEIVABLE AND CONTINGENT LIABILITY

The Association holds a first and second mortgage associated with the sale of a home constructed as part of the Home of Your Own program. The mortgage is secured by the home. The first mortgage in the original amount is a non-interest bearing loan with 384 monthly payments in the amount of $111. The mortgage is serviced by Pinnacle National Bank. The second mortgage is a non-interest bearing loan with 384 payments of $104 that are forgiven with each month so long as the first mortgage is not in default.

The Association holds a second mortgage with the sale of a home constructed as part of the same program. The mortgage is secured by the home and the payment of $111 per month are forgiven so long as the first mortgage is not in default. If the owner of the home defaults the first mortgage held by FAHE, Inc., the Association would be obligated to purchase the first mortgage from the holder. The Association would then be able to foreclose on and sell the property. The current balance of this first mortgage is $24,016. The first mortgage currently held by FAHE, Inc. has historically been paid on time and is currently in good standing, therefore the Association has not recorded a liability for the unpaid principal.

Note 4. MORTGAGES RECEIVABLE AND CONTINGENT LIABILITY - CONTINUED

The Association maintains the note receivable balances at the original note amount less principal payments. The amounts that represent loan forgiveness are recognized each month. The note balance as of December 31, 2017 were as follows

Unpaid principal of notes receivable	$ 24,016
Unrecorded forgiveness of principle	49,166
Total Notes Receivable	**$ 73,182**

During the year the Association forgave debt of $2,578.

The following is the note status summary as of December 31, 2017:

Note Status	Note Balance	Collateral Value
Current	$ 73,182	$ 248,500
Less than 30 days overdue	-	-
30-60 days overdue	-	-
61-90 days overdue	-	-
91-120 days overdue	-	-
More than 120 days overdue	-	-
Total	**$ 73,182**	**$ 248,500**

Note 5. WEBSITE

During 2016 the Association developed a new website to promote its services and incurred $16,000 of website development costs. The website development costs are being amortized over a three year period.

Amortization expense for the year ending December 31, 2017 totaled $5,333.

Note 6. RESTRICTED NET ASSETS

As of December 31, 2017 the Association's only restricted net assets include the principal investment and donor restricted donations held within the endowment fund totaling $8,050 which are presented as permanently restricted net assets.

Note 7. COMPENSATED ABSENCES

Employees of the Association are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. Any unused paid time off expires annually and does not carry over from year to year, and accordingly, no liability has been recorded in the accompanying financial statements. The Association's policy is to recognize the cost of compensated absences when actually paid to employees.

Note 8. CONCENTRATIONS

The Association maintains deposits in financial institutions that at times exceed the amounts covered by insurance provided by the Federal Deposit Insurance Corporation ("FDIC").

The Association is heavily reliant on revenues earned during special events and receiving charitable donations. If the Association's funding sources decreased extensively, the Association would experience significant difficulty in sustaining its current level of operations.

END OF NOTES